

## Affordable Housing Credit Bank – Concept outline

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1. The Problem: A number of situations give rise to the need to develop a small number of affordable housing units such as units required to achieve a density bonus, inclusionary units, or units targeted to a specific group of residents such as disabled persons (“Required Units”). However, the problems associated with the development of a small number of units (say, 20 or less) are daunting and include the following:
  - a. Very high cost of development
  - b. Impossibility of using best available financing tools
    - i. Scarcity of conventional financing
    - ii. Scarcity of subsidy financing
    - iii. Inexperience of market rate or small nonprofit organization specialized financing
  - c. Cost and difficulty of supervision and management of residents
  - d. Cost and difficulty of monitoring and assuring regulatory compliance
  - e. Difficulty of providing services to residents
  - f. High operating costs – no economies of scale.
  - g. Likelihood of physical deterioration of the project
  - h. Others
2. Conceptual Solutions: Develop the required units as party of a larger project in aggregation with other affordable units and possibly located off-site of the project that generates the requirement for the affordable housing units
  - a. Aggregation – allows the affordable units to be aggregated with other affordable (or market rate units) units in a larger, more economical project.
  - b. Off Siting – allows the affordable units to be built separate from the units or project that generated the need for the affordable units.
  - c. Regulation of Existing units – acquisition/rehab units, possibly improving a currently blighted project and improving the surrounding neighborhood.
3. Challenges
  - a. Timing – how to get the Affordable Units built in advance
  - b. Identifying the Affordable Project
  - c. Long term site control required
  - d. Gap financing for the Affordable Project – may ultimately come from the market rate builder, but he may be unable to pay when needed to build the Affordable Project

#### 4. Implementation: Affordable Housing Credit Bank

- a. Private developer develops an Affordable Project
- b. Design, location approved by City
- c. Funding gap provided by City and/or Affordable Developer
- d. Developed Affordable Units are "deposited" in the Credit Bank
- e. Party needing Required Units makes a contribution to the Affordable Project in an amount determined by the City or Affordable Developer.
- f. City records a regulatory agreement against the Affordable Project
- g. Developer of the Affordable Project responsible for compliance with the regulatory agreement
- h. Market rate developer deemed to have satisfied the Required Units obligation

#### 5. Issues/Concerns

- a. Not "inclusionary" -- but City approves the location of Affordable Project, which may be superior.
- b. Not "like kind" -- but goal should be to produce efficient entry leveling housing, not like kinds
- c. Concentration of affordable units in certain neighborhoods -- but City approves the Affordable Project
- d. No immediate source of gap financing – TBD

#### 6. Benefits

- a. Creates superior affordable housing
- b. Facilitates very low income housing, scattered throughout LI project
- c. Probably accelerates the time of development of affordable housing
- d. Allows the developer to access the best affordable housing financing
- e. Reduces the cost impact of affordable housing on market rate homebuyers.
- f. Helps City meet its RHNA numbers
- g. Uses market incentives to create affordable housing
- h. Relieves City of keeping track of small numbers of units scattered throughout their City (saves staff time)

#### 7. other